

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	No. 03 CR 268
v.	)	
	)	Violations: Title 15, United States Code,
DONALD WELCHKO and	)	Sections 78j(b), 78ff, 78m(b)(2)(A),
SCOTT ANIXTER	)	78m(b)(5); Title 17, Code of Federal
	)	Regulations, Section 240.10b-5;
	)	Title 18, United States Code, Sections
	)	1001, 1014, 1344, 1505, and 2
	)	<b><u>Superseding Indictment</u></b>

**COUNT ONE**

The SPECIAL NOVEMBER 2002 GRAND JURY charges:

1. At times material to this indictment:

a. Anicom, Inc. (“Anicom”) was a national distributor of wire and cable products based in Rosemont, Illinois. Anicom’s business involved buying wire and cable products from vendors or manufacturers and selling those products to customers with a price mark up.

b. Anicom was a publicly traded company and its common stock was registered with the Securities and Exchange Commission (“SEC”) under Section 12(g) of the Exchange Act [Title 15, United States Code, Section 78l(g)]. Prior to its delisting in November 2000, Anicom’s common stock was traded on the Nasdaq National Market System, an electronic securities market system administered by the National Association of Securities Dealers.

c. To sell securities to members of the public and maintain public trading of its securities in the United States, Anicom was required to comply with provisions of the federal securities laws, including the Securities Exchange Act of 1934 and regulations promulgated thereunder, that were designed to ensure that the company's financial information was accurately recorded and disclosed to the public.

d. Under these regulations, Anicom was required to, among other things: (a) file with the SEC annual financial statements audited by an independent accountant (Forms 10-K); (b) file with the SEC quarterly updates of its financial statements that disclosed its financial condition and the results of its business operations for each three-month period (Forms 10-Q); (c) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the company's transactions were recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") and other applicable criteria; and (d) make and keep books, records, and accounts that accurately and fairly reflected the company's business transactions.

e. At all relevant times, Price Waterhouse Coopers ("Price Waterhouse") served as Anicom's outside auditors.

f. Defendant SCOTT ANIXTER was Anicom's Chief Executive Officer ("CEO"), Chairman, and a member of the Board of Directors (the "Board") from the company's inception in or around 1993. In or around September 1999, ANIXTER moved from CEO to become the Chairman of the Board. As Chairman, CEO, and Chairman of the

Board, ANIXTER maintained overall control over Anicom's operations. Prior to the reporting year 1999, ANIXTER signed Anicom's annual reports on Form 10-K as Chairman and CEO, and ANIXTER signed the 1999 Form 10-K as Chairman of the Board. ANIXTER's employment agreement with Anicom provided that ANIXTER would receive a payment in the event of a change in control of Anicom, including a sale of Anicom, and the change in control payment was valued at approximately \$2,511,434 as of 1999. In addition, during 1999, ANIXTER was paid a base salary of \$400,000 and his employment agreement with Anicom set a base salary for 2000 of \$400,000. As of in or around April 2000, ANIXTER and his immediate family had beneficial ownership of approximately 2,095,000 shares of Anicom and owned options on a total of approximately 235,000 shares of Anicom.

g. Defendant DONALD WELCHKO was Anicom's Chief Financial Officer ("CFO") and responsible for its accounting and finance functions. In 1998, he became a Director and was a member of the Audit Committee. WELCHKO participated in preparing Anicom's annual, quarterly, and other periodic reports filed with the SEC. He signed Anicom's annual reports on Form 10-K as a Director and CFO, and its quarterly reports on Form 10-Q as CFO. WELCHKO's employment agreement with Anicom provided that WELCHKO would receive a payment in the event of a change in control of Anicom, including a sale of Anicom, and the change in control payment was valued at approximately \$1,673,545 as of 1999. In addition, during 1999, WELCHKO was paid a base salary of \$230,000 and a bonus of \$40,000. As of in or around April 2000, WELCHKO owned

approximately 9,614 shares of Anicom and owned options on a total of approximately 131,400 shares of Anicom.

h. Co-schemer Carl Putnam was Anicom's President, a Director, and was responsible for the Company's sales. In September 1999, he also became CEO. At all relevant times, Putnam signed Anicom's annual reports on Form 10-K as a Director, President, and in 1999 as CEO.

i. Co-schemer John Figurelli joined Anicom as Vice President of Credit Services and an officer in August 1997. In July 1998, he was promoted to Vice President of Operations and Credit Services. In March 1999, Figurelli became Executive Vice President of Operations and Logistics. In or around September 1999, Figurelli became Chief Operating Officer ("COO") of Anicom.

j. Co-schemer Daryl Spinell became Anicom's Vice President of Sales and an officer in 1995. In this position, Spinell reported directly to Putnam and managed Anicom's sales force. In January 2000, Spinell stepped down to become the General Manager of Anicom's Elk Grove Village, Illinois location.

k. Co-schemer Ronald Bandyk is, and at all times material to the indictment was, a certified public accountant. In March 1998, Bandyk became Anicom's Vice President – Accounting and an officer. In January 1999, he was made Vice President – Controller. At all relevant times, Bandyk reported to WELCHKO, managed the accounting department, and participated in preparing Anicom's annual, quarterly, and other periodic reports filed with the SEC. On April 6, 2000, Bandyk resigned from Anicom.

l. Co-schemer Renee Levault managed Anicom's Drop Ship Billing Department. Levault reported to Figurelli, and had a close working relationship with Putnam.

m. Anicom maintained a revolving unsecured credit facility or line of credit with a syndicate of federally insured lenders. In or around June 1998, Anicom entered into an agreement with its lenders to increase its available borrowings under its unsecured credit facility to \$100 million. In or around November 1998, Anicom entered into an agreement with its lenders to increase its available borrowings under its unsecured credit facility from \$100 million to \$120 million. In December 1999, Anicom entered into a new secured credit facility with its then current bank group, along with additional federally insured lenders. The December 1999 agreement increased Anicom's available borrowings to \$150 million. Anicom's agreements with its lenders contained certain minimum financial covenants with which Anicom was required to comply. The agreements also required Anicom to provide its lenders with, among other things, copies of all 10-Q and 10-K Reports Anicom filed with the SEC.

n. The price of Anicom's stock was determined by factors such as Anicom's reported revenue and earnings, as well as its ability to meet revenue and earnings targets and forecasts.

o. Anicom's management, like that of many public companies, provided "guidance" to the investing public regarding anticipated revenue and earnings for upcoming reporting periods. Relying in part on the company's "guidance," many professional

securities analysts then disseminated to the public their own estimates of the company's expected performance. These "earnings estimates" or "analysts' expectations" were closely followed by investors. Typically, if a company announced earnings that failed to meet or exceed analysts' expectations, the price of the company's securities declined. Quarter to quarter, industry analysts and the investing public judged Anicom according to, among other things, revenue, net income, and earnings per share.

p. On July 18, 2000, Anicom announced that: it was conducting an investigation into possible accounting irregularities; investors should not rely on its 1998 and 1999 financial statements; Putnam and WELCHKO had taken administrative leave; and the Board had appointed an interim Chief Executive Officer and Chief Financial Officer. On that same day, Nasdaq halted trading in Anicom's stock, which had closed at \$4.00 per share the previous day; as of May 12, 2000, Anicom had reported that the number of shares outstanding of common stock was approximately 25,171,261. On November 16, 2000, Nasdaq delisted Anicom's stock from its national exchange. On or around November 17, 2000, when Anicom's stock resumed trading over the counter, as listed in the Pink Sheets, the per share price fell to \$0.75, reflecting a market loss of over \$80 million.

2. Beginning no later than early 1998, and continuing through and including September 2000, at Rosemont, in the Northern District of Illinois and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, along with Carl Putnam, John Figurelli, Ronald Bandyk, Daryl Spinell, Renee Levault, and others known and unknown to the Grand Jury, did unlawfully, willfully, and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, use and employ, in connection with the purchase and sale of securities, namely Anicom common stock, manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5 by: (a) employing schemes to defraud; (b) making untrue statements of material facts and omitting material facts which were necessary in order to make the statements not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon purchasers and sellers of Anicom common stock, in violation of Title 15, United States Code, Sections 78j(b) and 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.

3. It was part of the scheme that from in or around the first quarter 1998 through at least May 2000, defendants and their co-schemers engaged in fraudulent practices that materially inflated Anicom's reported revenues, materially understated Anicom's reported expenses, and materially overstated Anicom's net income and earnings by millions of dollars, knowing that the materially false financial information would be recorded in Anicom's books and records, provided to Anicom's auditors and lenders, included in press releases provided to the investing public, and included in Anicom's quarterly and annual reports filed with the SEC.

4. It was further part of the scheme that defendants and their co-schemers overstated sales, revenue, and net income by creating numerous fictitious sales and fraudulent billings, including \$10.454 million in sales to a fictitious company. The effect of including these fictitious sales in Anicom's results of operations was to falsely inflate Anicom's financial performance.

5. It was further part of the scheme that defendants and their co-schemers engaged in additional fraudulent accounting practices that had the effect of overstating Anicom's sales and revenue, and understating Anicom's expenses, for particular quarters and years. Among other things, defendants and their co-schemers made and caused to be made various entries in Anicom's general ledger that fraudulently overstated revenues and understated Anicom's expenses. Defendants and their co-schemers knew that the fraudulent journal entries were contrary to GAAP and did not fairly and accurately reflect Anicom's business transactions.

6. It was further part of the scheme that defendants and their co-schemers falsely represented and caused to be falsely represented financial information contained in Anicom's Form 10-Q reports filed with the SEC in 1998, 1999, and for the first quarter of 2000, as well as the 10-K reports filed with the SEC for years 1998 and 1999. Anicom's Form 10-K reports filed with the SEC as of December 31, 1998, and December 31, 1999, included the Report of the Company's Independent Accountants, Price Waterhouse, which stated that management represented that the financial information contained in those reports was prepared in conformity with GAAP and fairly presented Anicom's financial position in all material respects.



7. It was further part of the scheme that by causing Anicom to misrepresent Anicom's revenue and earnings, defendants and their co-schemers intended to inflate the price of Anicom's shares in the marketplace.

### **Sales Fraud**

8. It was further part of the scheme that defendants and their co-schemers recognized and caused to be recognized millions of dollars in fictitious sales and improper billings that fraudulently inflated reported revenues and gross profits. Defendants and their co-schemers knew that these fictitious orders and improper billings were fraudulently recognized as revenue, along with any associated profit, on Anicom's financial statements filed with the SEC.

9. It was further part of the scheme that defendants and their co-schemers caused Anicom to fraudulently recognize revenue from sales in which product had not yet been shipped, or was never shipped, to the customer. Anicom employees first entered incoming customer orders into Anicom's billing system, which designated the orders as "booked." After Anicom shipped the product, or after receiving notification from an Anicom vendor that product had been shipped directly to the customer from the vendor, Anicom billed customers for the cost of the product and a mark up in price. Pursuant to Anicom's revenue recognition policy, Anicom recognized (or "billed") revenue and the associated cost of sales when product for a "booked" order was shipped to the customer. Anicom represented its revenue recognition policy to the public in its Form 10-K reports filed with the SEC as follows: "Sales and the related cost of sales are recognized upon the shipment of products."

10. It was further part of the scheme that near the end of quarters in 1998, 1999, and in the first quarter of 2000, defendants and their co-schemers knowingly booked and caused to be booked orders that customers had not placed with Anicom and orders that had not shipped to the customers. Many of the fictitious orders and orders that had not shipped were at least hundreds of times greater than Anicom's approximate average order of one thousand dollars.

11. It was further part of the scheme that in order to bill these fictitious orders or orders that had not shipped, and fraudulently recognize the order as revenue, defendants and their co-schemers knowingly entered and caused to be entered false data into Anicom's billing system to show that Anicom or the vendor or manufacturer had shipped the product to the customer.

12. It was further part of the scheme that defendants and their co-schemers fraudulently caused Anicom to recognize revenue of approximately \$5.05 million from a fictitious and unshipped sale to Spanpro, Inc. on or around September 30, 1998, knowing that Anicom had not made the sale to Spanpro and that no product had been shipped to Spanpro. This fictitious and unshipped sale placed Spanpro as Anicom's top customer for 1998, as measured by dollar amount, and was Anicom's largest single "sale" for 1998.

13. It was further part of the scheme that defendants and their co-schemers fraudulently caused Anicom to recognize revenue of approximately \$2.1 million from a fictitious and unshipped sale to GTT Electronics, Inc. on or around December 30, 1998, knowing that Anicom had not made the sale to GTT and that no product had been shipped

to GTT. This fictitious and unshipped sale placed GTT as one of Anicom's top ten customers for 1998, as measured by dollar amount, and was one of Anicom's top ten "sales" for 1998.

14. It was further part of the scheme that, defendants and their co-schemers fraudulently caused Anicom to recognize revenue of approximately \$2.21 million from a fictitious and unshipped sale to J.W. Few & Company on or around March 31, 1998, knowing that Anicom had not made the sales to J.W. Few and that no product had been shipped to J.W. Few pursuant to those sales. These fictitious and unshipped sales placed J.W. Few as one of Anicom's top ten customers for 1998, as measured by dollar amount.

15. It was further part of the scheme that defendants and their co-schemers fraudulently caused Anicom to recognize revenue of approximately \$4.62 million from a fictitious and unshipped sale to Microcomputer Cable Company on or around December 31, 1999, knowing that Anicom had not made the sale to Microcomputer and that no product had been shipped to Microcomputer. This fictitious and unshipped sale to Microcomputer was one of the largest "sales" in 1999 to an Anicom customer, as measured by dollar amount.

16. It was part of the scheme that defendants and their co-schemers failed to disclose to, and concealed from, Anicom's outside auditors, the existence of the fraudulent sales and billings.

### **SCL Integration Fraud**

17. It was further part of the scheme that defendants and their co-schemers caused Anicom in 1999 to, among other things, fraudulently recognize over \$10.454 million in sales

to a fictitious customer called SCL Integration in order to inflate sales, as well as to minimize the effect on income of writing off earlier improper and otherwise uncollectible accounts receivable. Defendants and their co-schemers knew that these fictitious sales to SCL Integration would be fraudulently recognized as revenue, along with an associated profit, on Anicom's financial statements filed with the SEC. The fictitious sales billed to SCL Integration placed SCL Integration as Anicom's top "customer" for 1999, as measured by dollar amount.

18. It was further part of the scheme that in the first quarter of 1999, defendants and their co-schemers developed and caused to be developed a plan to address the millions of dollars in fictitious and otherwise uncollectible accounts receivable that were then on Anicom's books. The plan included, among other things, the following objectives: (1) to remove millions of dollars in fraudulent and otherwise uncollectible sales through the issuance of sales credits; and (2) to offset the credits, which would otherwise reduce sales and income, by recording additional fraudulent sales, which would later be written off on a monthly basis over the latter half of 1999. Defendants and their co-schemers knew that this plan was contrary to GAAP, which called for Anicom to write off the receivables all at once and would have required Anicom to take a significant charge to sales and income.

19. It was part of the scheme that defendants and their co-schemers compiled and caused to be compiled a list of fraudulent sales and uncollectible amounts that needed to be removed from Anicom's accounts receivable. At defendant WELCHKO's direction, two spreadsheets were generated, one that totaled \$4,466,337 and another that totaled \$2,117,454.

The first amount represented a portion of the amount of fraudulent sales and other credits that were required to be issued against Anicom's accounts receivables. The second amount represented large credits that had already been issued to Anicom customers in January and February 1999, and thus had already reduced sales. Defendants and their co-schemers wanted to fraudulently delay the effect of the \$4,466,337 in credits to be issued, as well as the \$2,117,454 in credits that had already been issued, by billing an equivalent amount in sales to the fictitious customer.

20. It was further part of the scheme that the two amounts described above and a third amount called "Credit Reserve" were reflected on a document prepared by defendant WELCHKO entitled "Credit Disbute (sic)." The amount of Credit Reserve was \$3,870,554, which represented an additional amount that defendants and their co-schemers intended to bill as fictitious sales for the first quarter of 1999. The total of the Credit Reserve and the first two amounts was \$10.454 million.

21. It was further part of the scheme that, in or around March or April 1999, Figurelli instructed Employee A, a credit department employee, to set up a new customer account in Anicom's billing system for a fictional company called "SCL Integration Corp." Figurelli provided Employee A with all the necessary information to add SCL Integration to the billing system, including customer name, address, and telephone number, all of which were fictitious.

22. It was further part of the scheme that, at WELCHKO's direction, Levault requested that Employee B, an information systems employee, program the online sales

activity report so that sales and transactions related to SCL Integration would only be shown on the activity report available to defendant WELCHKO, Putnam, Figurelli, and Levault, rather than be generally available to Anicom employees.

23. It was further part of the scheme that on April 6, 1999, defendants and their co-schemers booked and billed, and caused to be booked and billed, nine fictitious sales for fiber optic cable to SCL Integration that totaled approximately \$10.454 million, which had the effect of fraudulently inflating Anicom's sales in the first quarter of 1999 by that amount with an associated profit of approximately \$1.85 million. Defendants and their co-schemers billed and caused the sales to be billed to SCL Integration at the same time, but backdated the invoices so that two of the sales were in January 1999, four were in February 1999, and three were in March 1999. No product for these sales ever shipped to SCL Integration. On October 12, 1999, defendants and their co-schemers backdated and caused to be backdated to September 30, 1999 another sales invoice to SCL Integration for \$1.3 million.

24. It was further part of the scheme that in each month from March 1999 through October 1999, defendants and their co-schemers issued and caused to be issued a credit to SCL Integration, knowing that the credits issued to SCL Integration were fraudulently issued for the purpose of eliminating from accounts receivable fraudulent sales made to SCL Integration or to otherwise obscure the write off of fraudulent sales.

25. It was further part of the scheme that, in or around July 1999, defendants and their co-schemers recorded and caused to be recorded a journal entry that: (a) reversed approximately \$3.3 million in credits issued to SCL Integration in the second quarter of

1999, and (b) moved the \$3.3 million in credits to SCL Integration into the third quarter of 1999, which journal entry had the effect of fraudulently increasing Anicom's reported revenue and net income for the second quarter 1999 by further delaying the issuance of credits associated with sales purportedly made to a fictitious customer in the first quarter of 1999.

26. It was further part of the scheme that, in or around the third quarter of 1999, defendants and their co-schemers wrote off and caused to be written off the sales billed to SCL Integration against other journal accounts rather than against sales. Defendants and their co-schemers knew that writing off the sales billed to SCL Integration in this manner would have the effect of retaining the false sales on Anicom's financial statements, thereby fraudulently avoiding a reduction in sales reported by Anicom.

27. It was further part of the scheme that defendants and their co-schemers failed to disclose the fictitious existence and purpose of SCL Integration to Anicom's shareholders and the investing public, as well as to Anicom's outside auditors, its Board of Directors, and its Audit Committee.

28. It was further part of the scheme that in response to a December 1999 written request from the SEC that Anicom voluntarily produce to the SEC certain information, WELCHKO instructed Employee B to compile responsive information but to remove any information relating to SCL Integration, even though, as defendant WELCHKO well knew, such information would have been responsive to the SEC's request. As a result of WELCHKO's instructions, in or around March 2000, Anicom produced the requested

information to the SEC having fraudulently excluded information relating to SCL Integration.

**Additional Accounting Fraud Used to Overstate Revenues and Understate Expenses**

29. It was further part of the scheme that beginning no later than mid-1998, and continuing through at least March 2000, defendants and their co-schemers made and caused to be made various fraudulent entries in Anicom's general ledger in order to overstate Anicom's actual revenues and understate Anicom's actual expenses, thereby overstating Anicom's net income and earnings for particular reporting periods, and to otherwise misrepresent Anicom's true financial condition for particular quarters and years. As defendants and their co-schemers knew, the fraudulent entries they made and caused to be made were contrary to GAAP and caused Anicom to file materially false financial statements with the SEC.

30. It was further part of the scheme that after reviewing Anicom's preliminary financial results for particular quarters and year end, defendants and their co-schemers determined that Anicom's financial results needed to be inflated to meet, or get closer to, analysts' expectations for Anicom's financial performance for the particular quarter or year.

31. It was further part of the scheme that in order to report better financial results that Anicom actually achieved for particular quarters and years, and to meet or get closer to analysts' expectations for particular quarters and years, defendants and their co-schemers made and caused to be made certain fraudulent entries in Anicom's general ledger.



32. It was further part of the scheme that one of the techniques defendants and their co-schemers used in order to fraudulently overstate revenues for particular quarters was to record and cause to be recorded sales in the just-completed quarter that actually occurred, and were recorded in the billing system, in the first few days of the new quarter, thereby overstating Anicom's revenues and earnings for the quarter in question.

33. It was further part of the scheme that in or around April 1999, WELCHKO directed Bandyk to make an entry in Anicom's general ledger that had the effect of moving to the first quarter of 1999, sales that actually occurred in the first few days of the second quarter of 1999, thereby overstating Anicom's revenues and earnings for the first quarter of 1999. As defendants and their co-schemers well knew, the technique of fraudulently recording sales in a quarter that actually occurred in a later quarter was contrary to both GAAP and Anicom's publicly stated revenue recognition policy of recognizing revenue when product was shipped to a customer.

34. It was further part of the scheme that one of the techniques defendants and their co-schemers used to fraudulently understate Anicom's expenses for particular quarters was to make and cause to be made entries in Anicom's general ledger that accrued more in purchase rebates than was justified by Anicom's purchasing volume, thereby fraudulently decreasing Anicom's cost of sales. Anicom received either cash or credit rebates from certain vendors if Anicom met certain annual purchasing goals. The accrual of rebates had the effect of decreasing Anicom's cost of sales.

35. It was further part of the scheme that on numerous occasions, defendants and their co-schemers made and caused to be made entries in Anicom's general ledger that accrued more in purchase rebates than Anicom expected to receive based on its purchasing levels for particular periods. These entries had the effect of fraudulently understating Anicom's cost of sales by millions of dollars.

36. It was further part of the scheme that in 1998, defendants and their co-schemers fraudulently understated Anicom's actual expenses by making and causing to be made various journal entries reducing Anicom's cost of sales by millions of dollars through the use of an inventory clearing account.

37. It was further part of the scheme that for particular quarters in 1999, defendants and their co-schemers fraudulently understated Anicom's actual expenses by making and causing to be made various journal entries reducing Anicom's cost of goods sold by over a million dollars through the use of a standard versus actual or average variance account.

38. It was further part of the scheme that shortly after the end of the first quarter 1999, when defendants and their co-schemers learned that Anicom's preliminary financial results for the quarter reflected a loss, defendants and their co-schemers made and caused to be made certain entries in Anicom's general ledger, which entries had the effect of both fraudulently overstating Anicom's revenues and understating Anicom's expenses, thereby fraudulently overstating Anicom's reported earnings for the first quarter of 1999. The fraudulent entries defendants and their co-schemers made and caused to be made for the first quarter of 1999 included, among others: (a) the recognition of revenue associated with sales

that actually occurred in the second quarter of 1999, which had the effect of overstating Anicom's revenues and earnings; (b) the accrual of rebates that had not yet been earned or realized by Anicom, which had the effect of understating Anicom's expenses; and (c) a reduction in Anicom's cost of goods sold through the use of a standard versus actual or average variance account, which had the effect of understating Anicom's expenses.

39. It was further part of the scheme that as a result of the fraudulent journal entries defendants and their co-schemers made and caused to be made for the first quarter of 1999, Anicom reported in its publicly filed financial statements earnings of approximately \$.12 per share, when, as defendants and their co-schemers well knew, Anicom's actual earnings for the first quarter 1999 were materially less than \$.12 per share.

40. It was further part of the scheme that after reviewing Anicom's preliminary financial results for the second quarter 1999, defendants and their co-schemers again made and caused to be made certain entries in Anicom's general ledger, which entries had the effect of both fraudulently overstating Anicom's revenues and understating Anicom's expenses, thereby fraudulently overstating Anicom's reported earnings for the second quarter of 1999. The fraudulent entries for the second quarter of 1999 included, among others: (a) the recognition of revenue associated with sales that actually occurred in the third quarter of 1999, which had the effect of overstating Anicom's revenues and earnings; (b) the accrual of rebates that had not yet been earned or realized by Anicom, which had the effect of understating Anicom's expenses; and (c) a reduction in Anicom's cost of goods sold through

the use of a standard versus actual or average variance account, which had the effect of understating Anicom's expenses.

41. It was further part of the scheme that in order to remove from its general ledger evidence relating to the various fraudulent journal entries made in the first and second quarter 1999, before Anicom's outside auditors performed its year end audit, defendants and their co-schemers reversed and caused to be reversed various fraudulent entries made in the first and second quarters of 1999, and concealed the reversals through various costs and expenses purportedly incurred as a result of a restructuring that Anicom elected to undergo in the third quarter 1999.

42. It was further part of the scheme that defendants and their co-schemers used the restructuring charge taken by Anicom in the third quarter of 1999 to further conceal Anicom's true financial condition.

43. It was further part of the scheme that neither the defendants nor their co-schemers disclosed to members of Price Waterhouse, during the course of its audits, the fact that in an effort to fraudulently manipulate its financial results for particular quarters and years, defendants and their co-schemers recorded and caused to be recorded entries in Anicom's general ledger at or around the end of quarters and years, which entries fraudulently overstated revenues and understated expenses.

44. It was further part of the scheme that as a result of the misconduct of the defendants and their co-schemers, Anicom filed with the SEC at least nine false 10-Q and 10-K reports for the quarters January 1, 1998 through March 31, 2000 that, among other

things, contained materially false and misleading financial statements in that the financial statements overstated Anicom's actual revenues, understated Anicom's actual expenses, and overstated Anicom's actual earnings.

### **Attempts to Sell Anicom**

45. It was further part of the scheme that beginning no later than early 1999, and continuing through at least March 2000, defendants and their co-schemers and others retained and caused to be retained various investment banking firms to explore, among other things, the sale of Anicom to third parties by acquisition of Anicom's shares. Defendants and their co-schemers provided and caused to be provided to these investment banks false and misleading financial information regarding Anicom, including quarterly and annual reports containing financial statements filed with the SEC, knowing that the investment banks would provide the false and misleading financial information to potential acquirers of Anicom's shares.

46. It was further part of the scheme that the defendants and their co-schemers misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden the purposes and acts done in furtherance of the scheme, including providing false, misleading and inaccurate information and making false representations to, among others, the investing public, Anicom's shareholders, Anicom's outside auditors, Anicom's Board, Anicom's outside law firm, Anicom's lenders, Anicom's investment bankers, and SEC regulators.

47. On or about May 14, 1999, in the Northern District of Illinois, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of executing the scheme to defraud and attempting to do so, knowingly caused the use of the means and instruments of transportation and communication in interstate commerce from Rosemont, Illinois, to Washington D.C. by means of wire and radio communications, certain writings, signs, signals and sounds, namely the electronic transmission to the United States Securities and Exchange Commission of the Anicom quarterly report on Form 10-Q for the period ending March 31, 1999;

In violation of Title 15, United States Code, Sections 78j(b) and 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.

## **COUNT TWO**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraphs 1-46 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about March 30, 2000, in the Northern District of Illinois, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, and others known and unknown to the Grand Jury, for the purpose of executing the scheme to defraud and attempting to do so, knowingly caused the use of the means and instruments of transportation and communication in interstate commerce from Rosemont, Illinois, to Washington D.C. by means of wire and radio communications, certain writings, signs, signals and sounds, namely the electronic transmission to the United States Securities and Exchange Commission of the Anicom annual report on Form 10-K for the period ending December 31, 1999;

In violation of Title 15, United States Code, Sections 78j(b) and 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.

### **COUNT THREE**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraphs 1-46 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about March 31, 1999, in the Northern District of Illinois, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, and others known and unknown to the Grand Jury, for the purpose of executing the scheme to defraud and attempting to do so, knowingly caused the use of the means and instruments of transportation and communication in interstate commerce from Rosemont, Illinois, to Washington D.C. by means of wire and radio communications, certain writings, signs, signals and sounds, namely the electronic transmission to the United States Securities and Exchange Commission of the Anicom annual report on Form 10-K for the period ending December 31, 1998;

In violation of Title 15, United States Code, Sections 78j(b) and 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.



## **COUNT FOUR**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraphs 1, and 3 through 46 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. At times material to this Indictment:

a. Harris Trust and Savings Bank (“Harris Bank”) was a financial institution with deposits insured by the Federal Deposit Insurance Corporation.

b. LaSalle National Bank was a financial institution with deposits insured by the Federal Deposit Insurance Corporation.

c. The First National Bank of Chicago, now known as Bank One (“Bank One”), was a financial institution with deposits insured by the Federal Deposit Insurance Corporation.

d. Bank of America National Trust and Savings Association (“Bank of America National Trust”) was a financial institution with deposits insured by the Federal Deposit Insurance Corporation.

e. Firststar Bank was a financial institution with deposits insured by the Federal Deposit Insurance Corporation.

f. Fleet Capital Corporation was a division of a financial institution whose deposits were insured by the Federal Deposit Insurance Corporation.

g. On or about July 3, 1997, Anicom entered into a \$50 million unsecured revolving credit facility with a syndicate of lenders, including Harris Bank, LaSalle National

Bank, Bank One, and Bank of America National Trust. The agreement required Anicom, as a condition of its eligibility to receive and retain funds from the lenders, to meet certain minimum financial standards, and to provide the lenders with copies of the financial statements filed with the SEC.

3. Beginning no later than June 1998, and continuing through on or about May 2000, in the Northern District of Illinois, Eastern Division, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, and others known and unknown to the Grand Jury, did knowingly devise and participate in a scheme to defraud and obtain moneys and funds owned by and under the custody and control of Harris Bank, LaSalle National Bank, Bank One, Bank of America National Trust, Firststar Bank, and Fleet Capital Corporation, by means of materially false and fraudulent pretenses, representations, and promises.

4. It was part of the scheme that beginning no later than June 1998, and continuing through at least May 2000, in order to receive and retain millions of dollars from its lenders, defendants and their co-schemers provided and caused to be provided to Anicom's lenders, materially false and misleading financial information and financial statements, including copies of Anicom's quarterly and annual reports filed with the SEC and represented to the lenders that the financial statements, financial data and financial computations were true, correct and complete, whereas defendants and their co-schemers

well knew that the financial information provided to the lenders was false and misleading in material respects.

**June 30, 1998 Agreement - \$100 Million Borrowing Limit**

5. It was further part of the scheme that on or about June 30, 1998, Anicom replaced its previous unsecured \$50 million revolving credit facility with a \$100 million unsecured credit facility with Harris Bank, LaSalle National Bank, Bank One, and Bank of America National Trust (the “Lenders”). The agreement, which was signed by Putnam, required Anicom, as a condition of its eligibility to receive and retain funds from the Lenders, to meet certain minimum financial standards, and to provide the Lenders with copies of the financial statements Anicom filed with the SEC.

**November 4, 1998 Agreement - \$120 Million Borrowing Limit**

6. It was part of the scheme that on or about November 4, 1998, Anicom reached an agreement with the Lenders to increase its \$100 million revolving credit facility to \$120 million, effective November 19, 1998. The agreement, which was signed by defendant WELCHKO, required Anicom, as a condition of its eligibility to receive and retain funds from the Lenders, to meet certain minimum financial standards, and to provide the Lenders with copies of the financial statements Anicom filed with the SEC.

7. It was part of the scheme that in entering into the November 4, 1998 agreement, defendants and their co-schemers provided and caused to be provided to the Lenders certain false and misleading financial information, including Anicom’s unaudited

interim consolidated balance sheet as of June 30, 1998, and the related consolidated statements of income and cash flows of Anicom for the six months then ended.

8. It was further part of the scheme that defendants and their co-schemers represented to the Lenders in the November 4, 1998 agreement (Section 8.5) that Anicom would maintain a standard system of accounting in accordance with GAAP and would in the future furnish to the Lenders, among other things, copies of any 10-Q Reports Anicom filed with the SEC, and any 10-K reports Anicom filed with the SEC.

9. It was further part of the scheme that pursuant to Anicom's obligations under the November 4, 1998 agreement, defendants and their co-schemers provided and caused to be provided to the Lenders copies of Anicom's 10-K Report for 1998, and 10-Q Reports for the first, second, and third quarters of 1999, representing to the Lenders in compliance certificates that the financial statements contained in those reports were true, correct, and complete, as of the date and for the periods covered by the reports, whereas defendants and their co-schemers well knew that the financial information contained in Anicom's 1998 10-K report and the 10-Q Reports for the first, second, and third quarters of 1999 were not true, correct and complete as of the date and for the periods covered by the reports.

10. It was further part of the scheme that from September through November 1999, in order to avoid being declared in default of certain of its obligations under Anicom's credit agreement, defendants and their co-schemers provided and caused to be provided to the Lenders materially false and misleading information, including false and misleading pro forma financial statements. Defendants and their co-schemers also provided and caused to

be provided to the Lenders false and misleading information about the nature and character of certain financial charges and one-time duplicative expenses that Anicom was purportedly incurring as a result of, and associated with, a company-wide restructuring.

**December 1999 Multicurrency Credit Agreement - \$150 Million Borrowing Limit**

11. It was further part of the scheme that in or about December 1999, Anicom entered into a Multicurrency Credit Agreement with its then current Lenders, as well as Firststar Bank and Fleet Capital Corporation (collectively the “New Lenders”). The agreement increased Anicom’s available borrowings to \$150 million, which amount was collateralized by Anicom’s receivables and inventory. The agreement, which was signed by defendant WELCHKO, required Anicom, as a condition of its eligibility to receive and retain funds from the New Lenders, to meet certain minimum financial standards, and to provide the New Lenders with copies of the financial statements filed with the SEC.

12. It was further part of the scheme that in entering into the December 1999 agreement, defendants and their co-schemers provided the New Lenders with certain false and misleading financial information, including Anicom’s consolidated balance sheet and related consolidated statement of income, retained earnings and cash flows for the fiscal year 1998, and accompanying notes thereto, and the unaudited interim consolidated balance sheet of Anicom as of September 30, 1999, and the related consolidated statements of income and cash flows of Anicom for the nine months then ended.

13. It was further part of the scheme that defendants and their co-schemers represented to the New Lenders in the December 1999 agreement (Section 8.5) that Anicom

would maintain a standard system of accounting in accordance with GAAP and would in the future furnish to the New Lenders, among other things, copies of any 10-Q Reports Anicom filed with the SEC, and any 10-K reports Anicom filed with the SEC.

14. It was further part of the scheme that pursuant to its obligations under the December 1999 agreement, defendants and their co-schemers provided and caused to be provided to the New Lenders copies of Anicom's 10-K Report for 1999, and 10-Q Reports for the first quarter of 2000, representing to the New Lenders in compliance certificates that the financial statements contained in those reports were true, correct, and complete, as of the date and for the periods covered by the reports, whereas defendants and their co-schemers well knew that the financial information contained in Anicom's 1999 10-K Report and the 10-Q Report for the first quarter of 2000 were not true, correct and complete as of the date and for the periods covered by the reports.

15. It was further part of the scheme that from in or around November 1999 through in or around April 2000, in order to induce the New Lenders to enter into the December 1999 agreement, and pursuant to Anicom's obligations under the December 1999 agreement to provide the New Lenders with additional information, defendants and their co-schemers provided and caused to be provided to auditors and other representatives of the various banks materially false and misleading information.

16. It was further part of the scheme that in or around November 1999, auditors representing the New Lenders were provided with information that SCL Integration had an outstanding accounts receivable balance of approximately \$4.6 million, when in fact SCL

Integration was a fictitious company used by defendants and their co-schemers to create false sales and offset the effect of credits issued to customers as heretofore alleged.

17. It was further part of the scheme that from in or around June 1998 through in or around May 2000, defendants and their co-schemers provided the Lenders and the New Lenders with financial data and compliance certificates, including Anicom's 10-Q Reports for the first, second and third quarters 1999, and the first quarter 2000, as well as Anicom's 10-K Reports for the fiscal years ending 1998 and 1999, representing that the financial information contained in those reports was true, correct, and complete as of the date and for the periods covered thereby, whereas defendants and their co-schemers well knew that the financial information, including the financial information contained in the various 10-Q and 10-K reports, provided to the Lenders and the New Lenders was materially false and misleading.

18. It was further part of the scheme that from in or around June 1998 through in or around May 2000, defendants and their co-schemers caused Anicom to borrow more than \$100 million dollars from the Lenders and the New Lenders pursuant to the terms of the various agreements, and ultimately caused a loss to the New Lenders of in excess of \$20 million dollars.

19. It was further part of the scheme that the defendants and their co-schemers misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden the purposes and acts done in furtherance of the scheme.

20. On or about December 17, 1999, in the Northern District of Illinois, Eastern Division,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of executing and attempting to execute the above-described scheme, knowingly caused Anicom to enter into a \$150 million Multicurrency Credit Agreement with a lending syndicate that included Harris Bank, LaSalle Bank, Bank One, Bank of America National Trust, Firststar Bank, and Fleet Capital Corporation, and to submit materially false and misleading financial statements to the lending syndicate in connection with entering into the agreement;

In violation of Title 18, United States Code, Sections 1344 and 2.



### **COUNT FIVE**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraphs 1 through 19 of Count Four of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about April 19, 1999, in the Northern District of Illinois, Eastern Division,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of executing and attempting to execute the above-described scheme, knowingly provided the Lenders with a Compliance Certificate, which contained the false representation that the financial statements contained in Anicom's 1998 10-K were true, correct and complete as of the date and for the periods covered thereby;

In violation of Title 18, United States Code, Sections 1344 and 2.

## **COUNT SIX**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraphs 1 through 19 of Count Four of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about May 19, 1999, in the Northern District of Illinois, Eastern Division,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of executing and attempting to execute the above-described scheme, knowingly provided the Lenders with a Compliance Certificate, which contained the false representation that the financial statements contained in Anicom's 10-Q for the first quarter 1999 were true, correct and complete as of the date and for the periods covered thereby;

In violation of Title 18, United States Code, Sections 1344 and 2.

**COUNT SEVEN**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraphs 1 through 19 of Count Four of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about August 19, 1999, in the Northern District of Illinois, Eastern Division,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of executing and attempting to execute the above-described scheme, knowingly provided the Lenders with a Compliance Certificate, which contained the false representation that the financial statements contained in Anicom's 10-Q for the second quarter 1999 were true, correct and complete as of the date and for the periods covered thereby;

In violation of Title 18, United States Code, Sections 1344 and 2.

## **COUNT EIGHT**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraphs 1 through 19 of Count Four of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about April 24, 2000, in the Northern District of Illinois, Eastern Division,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of executing and attempting to execute the above-described scheme, knowingly provided the New Lenders with a Compliance Certificate, which contained the false representation that the financial statements contained in Anicom's 1999 10-K were true, correct and complete, as of the date and for the periods covered thereby;

In violation of Title 18, United States Code, Sections 1344 and 2.

## **COUNT NINE**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. Paragraph 1 of Count One of this indictment is incorporated and realleged as if fully set forth herein.

2. In or around December 1999, in the Northern District of Illinois, Eastern Division, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of influencing the actions of Harris Bank, LaSalle Bank, Bank One, Bank of America National Trust, Firststar Bank, and Fleet Capital Corporation, upon a credit agreement, that is a December 17, 1999 Multicurrency Credit Agreement authorizing up to \$150 million in borrowing, knowingly provided and caused to be provided to its lenders quarterly and annual financial statements containing false and misleading revenue, expense, and earnings figures;

In violation of Title 18, United States Code, Sections 1014 and 2.

## COUNT TEN

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. Paragraph 1 of Count One of this indictment is incorporated and realleged as if fully set forth herein.

2. On or about April 19, 1999, in the Northern District of Illinois, Eastern Division, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of influencing the actions of Harris Bank, LaSalle Bank, Bank One, and Bank of America National Trust, upon a credit agreement, that is the November 4, 1998 credit agreement authorizing up to \$120 million in borrowing, knowingly made and caused to be made false and misleading statements, namely that the financial statements contained in Anicom's 1998 10-K, which included Anicom's revenue, expenses, and earnings figures for that period, were true, correct and complete;

In violation of Title 18, United States Code, Sections 1014 and 2.

## **COUNT ELEVEN**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. Paragraph 1 of Count One of this indictment is incorporated and realleged as if fully set forth herein.

2. On or about May 19, 1999, in the Northern District of Illinois, Eastern Division, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of influencing the actions of Harris Bank, LaSalle Bank, Bank One, and Bank of America National Trust, upon a credit agreement, that is the November 4, 1998 credit agreement authorizing up to \$120 million in borrowing, knowingly made and caused to be made false and misleading statements, namely that the financial statements contained in Anicom's 10-Q for the first quarter of 1999, which included Anicom's revenue, expenses, and earnings figures for that period, were true, correct and complete;

In violation of Title 18, United States Code, Sections 1014 and 2.

## **COUNT TWELVE**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. Paragraph 1 of Count One of this indictment is incorporated and realleged as if fully set forth herein.

2. On or about August 19, 1999, in the Northern District of Illinois, Eastern Division, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of influencing the actions of Harris Bank, LaSalle Bank, Bank One, and Bank of America National Trust, upon a credit agreement, that is the November 4, 1998 credit agreement authorizing up to \$120 million in borrowing, knowingly made and caused to be made false and misleading statements, namely that the financial statements contained in Anicom's 10-Q for the second quarter of 1999, which included Anicom's revenue, expenses, and earnings figures for that period, were true, correct and complete;

In violation of Title 18, United States Code, Sections 1014 and 2.



### **COUNT THIRTEEN**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. Paragraph 1 of Count One of this indictment is incorporated and realleged as if fully set forth herein.

2. On or about April 24, 2000, in the Northern District of Illinois, Eastern Division, and elsewhere,

DONALD WELCHKO and  
SCOTT ANIXTER,

defendants herein, for the purpose of influencing the actions of Harris Bank, LaSalle Bank, Bank One, Bank of America National Trust, Firststar Bank, and Fleet Capital Corporation, upon a credit agreement, that is the December 17, 1999 Multicurrency Credit Agreement authorizing up to \$150 million in borrowing, knowingly made and caused to be made false and misleading statements, namely that the financial statements contained in Anicom's 1999 10-K, which included Anicom's revenue, expenses, and earnings figures for that period, were true, correct and complete;

In violation of Title 18, United States Code, Sections 1014 and 2.

### **COUNT FOURTEEN**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraph 1 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about May 15, 1998, at Rosemont, in the Northern District of Illinois, Eastern Division, and elsewhere,

DONALD WELCHKO,

defendant herein, did, in a matter within the jurisdiction of the SEC, knowingly and willfully make a materially false, fictitious, and fraudulent statement. More specifically, defendant WELCHKO made and caused to be made materially false statements and omissions of material facts in a filing required by the SEC concerning Anicom's sales, expenses, earnings, and financial performance, in Anicom's Form 10-Q for the First Quarter 1998;

In violation of Title 18, United States Code, Sections 1001 and 2.

### **COUNTS FIFTEEN THROUGH TWENTY-ONE**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraph 1 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about the dates set forth below, each such date constituting a separate count of this indictment, at Rosemont, in the Northern District of Illinois, Eastern Division, and elsewhere, defendants DONALD WELCHKO and SCOTT ANIXTER did, in a matter within the jurisdiction of the SEC, knowingly and willfully make a materially false, fictitious, and fraudulent statement. More specifically, defendants made and caused to be made materially false statements and omissions of material facts in filings required by the SEC concerning Anicom's sales, expenses, earnings, and financial performance, in the reports and documents set forth below:

<b>Count</b>	<b>Date</b>	<b>Report</b>
15	Nov. 16, 1998	Form 10-Q for Anicom for the Third Quarter 1998
16	March 31, 1999	Form 10-K for Anicom for Fiscal Year 1998
17	May 14, 1999	Form 10-Q for Anicom for First Quarter 1999
18	August 16, 1999	Form 10-Q for Anicom for Second Quarter 1999
19	November 15, 1999	Form 10-Q for Anicom for Third Quarter 1999
20	March 30, 2000	Form 10-K for Anicom for Fiscal Year 1999

21	May 15, 2000	Form 10-K for Anicom for First Quarter 2000
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In violation of Title 18, United States Code, Sections 1001 and 2.

## **COUNT TWENTY-TWO**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraph 1 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about June 18, 1999, at Rosemont, in the Northern District of Illinois and elsewhere, at Rosemont, in the Northern District of Illinois and elsewhere,

**DONALD WELCHKO,**

defendant herein, did directly and indirectly, falsify and cause to be falsified books, records, and accounts subject to Section 13(b)(2) of the Exchange Act, namely books, records, and accounts of Anicom, an issuer with a class of securities registered pursuant to the Exchange Act, which Anicom was required to make and keep in reasonable detail, accurately and fairly reflecting the transactions and dispositions of the assets of Anicom; specifically, falsifying and causing to be falsified such books, records, and accounts by fraudulently recording and causing to be recorded a credit of \$500,000 to Anicom's Costs of Goods Sold account for May 1999, via a debit of \$500,000 to Anicom's rebate account (Journal Entry # 467191);

In violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1; and Title 18, United States Code, Section 2.

### **COUNT TWENTY-THREE**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraph 1 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about December 1, 1998, at Rosemont, in the Northern District of Illinois and elsewhere, at Rosemont, in the Northern District of Illinois and elsewhere,

**DONALD WELCHKO,**

defendant herein, did directly and indirectly, falsify and cause to be falsified books, records, and accounts subject to Section 13(b)(2) of the Exchange Act, namely books, records, and accounts of Anicom, an issuer with a class of securities registered pursuant to the Exchange Act, which Anicom was required to make and keep in reasonable detail, accurately and fairly reflecting the transactions and dispositions of the assets of Anicom; specifically, falsifying and causing to be falsified such books, records, and accounts by fraudulently recording and causing to be recorded a credit of \$850,000 to Anicom's Costs of Goods Sold account for October 1998, via a debit of \$850,000 to Anicom's Inventory Reserve account (Journal Entry # 270078);

In violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1; and Title 18, United States Code, Section 2.

## **COUNT TWENTY-FOUR**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraph 1 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. On or about January 6, 1999, at Rosemont, in the Northern District of Illinois and elsewhere, at Rosemont, in the Northern District of Illinois and elsewhere,

DONALD WELCHKO,

defendant herein, did directly and indirectly, falsify and cause to be falsified books, records, and accounts subject to Section 13(b)(2) of the Exchange Act, namely books, records, and accounts of Anicom, an issuer with a class of securities registered pursuant to the Exchange Act, which Anicom was required to make and keep in reasonable detail, accurately and fairly reflecting the transactions and dispositions of the assets of Anicom; specifically, falsifying and causing to be falsified such books, records, and accounts by fraudulently recording and causing to be recorded a credit of, among other things, \$2,247,241 to Anicom's Costs of Goods Sold account for November 1998, via a debit to Anicom's Inventory Reserve account (Journal Entry # 297267);

In violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1; and Title 18, United States Code, Section 2.

## **COUNT TWENTY-FIVE**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraph 1 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. In or about March 1999, at Rosemont, in the Northern District of Illinois and elsewhere, at Rosemont, in the Northern District of Illinois and elsewhere,

**DONALD WELCHKO,**

defendant herein did directly and indirectly, falsify and cause to be falsified books, records, and accounts subject to Section 13(b)(2) of the Exchange Act, namely books, records, and accounts of Anicom, an issuer with a class of securities registered pursuant to the Exchange Act, which Anicom was required to make and keep in reasonable detail, accurately and fairly reflecting the transactions and dispositions of the assets of Anicom; specifically, WELCHKO falsified and caused to be falsified such books, records, and accounts by fraudulently recording and causing to be recorded a credit of \$675,000 to Anicom's Costs of Goods Sold account for March 1999, via a debit of \$675,000 to Anicom's Standard vs. Actual Variance account (Journal Entry # 396369);

In violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1; and Title 18, United States Code, Section 2.



## **COUNT TWENTY-SIX**

The SPECIAL NOVEMBER 2002 GRAND JURY further charges:

1. The allegations contained in Paragraph 1 and 17 through 28 of Count One of this Indictment are incorporated and realleged as if fully set forth herein.

2. At times material to this indictment:

a. On or about April 30, 1999, the Securities & Exchange Commission (“SEC”) opened a matter under inquiry into Anicom Corporation after receiving a complaint about billing practices at the company.

b. On or about December 2, 1999, in connection with its investigation of Anicom Corporation, the SEC sent Anicom a request for the voluntary production of certain information, including information about sales, accounts receivable, cash payments, and debit/credit memos for the period September 1, 1998 through April 30, 1999.

c. Employee B was assigned to assemble materials responsive to the December 2, 1999 SEC request, and Employee B compiled information responsive to the SEC request on a compact disc.

d. On or about March 1, 2000, Anicom, through its outside counsel, produced to the SEC a compact disc that purportedly contained information relating to Anicom’s accounts receivable, sales, cash receipts, and debit/credit memos for the period September 1, 1998 through April 30, 1999.

3. In or around February 2000, at Rosemont, in the Northern District of Illinois, Eastern Division, and elsewhere,

DONALD WELCHKO,

defendant herein, did corruptly endeavor to influence, obstruct and impede the due and proper administration of law under which a pending proceeding was being had before the SEC, an agency of the United States, in that defendant WELCHKO instructed Employee B to remove any reference to SCL Integration from the compact disc that Employee B had prepared in response to the SEC's December 2, 1999 request for information, knowing that the compact disc Employee B had prepared would be provided to the SEC in response to its request for information, and intending that the SEC be misled by the deletion of the information relating to SCL Integration;

In violation of Title 18, United States Code, Sections 1505 and 2.

A TRUE BILL:

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FOREPERSON

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UNITED STATES ATTORNEY